

**Guidelines for management and allocation of capacity on the  
IGB INTERCONNECTOR  
according to paragraph 6 of article 36 of Directive 2009/73/EC**

<b><u>PHASE II</u>: Invitation of Eol Participants to present binding offers to reserve capacity in the IGB Pipeline</b>
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**Considering that:**

- The company, ICGB AD, has submitted to the National Regulatory Authorities of Bulgaria (the State Energy and Water Regulatory Commission or SEWRC), and Greece (the Regulatory Authority for Energy or RAE) (together the **Authorities**) an application for exemption for the Gas Interconnector Greece–Bulgaria Project (**IGB Project**) from the provisions of Articles 9, 32 and 41(6), (8) and (10) of Directive 2009/73/EC. The IGB Project comprises of a new transmission line, the IGB Pipeline, designed to connect the national transmission systems of Greece and Bulgaria and thus qualifies as an interconnector.
- Paragraph 6 of Article 36 of Directive 2009/73/EC provides that the Authorities must decide upon the rules and mechanisms for management and allocation of capacity. These rules shall require that all potential users of the IGB Project are invited to indicate their interest in contracting capacity before capacity allocation in the IGB Project takes place (the **Market Test**).
- During January and February of 2013 the Authorities developed and issued (RAE decision 111/28.02.2013, SEWRC 185/04.03.2013) *Guidelines for management and allocation of capacity on the IGB INTERCONNECTOR according to paragraph 6 of article 36 of Directive 2009/73/EC – PHASE I: Invitation of interested parties to express their interest in reserving capacity*. According to the Eol Guidelines the Market Test for the allocation of capacity on the IGB pipeline is to be conducted in two phases (i) the Expression of Interest (Eol) Phase; and (ii) the Bidding Phase.
- The Eol Phase of the Market Test took place from 13 May 2013 to 15 July 2013 on the basis of an Eol Notice developed by ICGB AD in accordance with the Eol Guidelines and approved by the Authorities (RAE 177/17.04.2013, SEWRC P-188/08.05.2013).
- A number of interested parties, other than ICGB stakeholders, have participated in the Eol Phase and expressed interest in reserving long term capacity in the IGB Pipeline in both the forward flow (Greece-Bulgaria) and the reverse (Bulgaria-Greece) directions. Aggregate capacity requests for Firm Forward Flow Capacity reached a peak of 12.94 bNcm/y occurring from 2019 and for up to 5 years from Commercial Operation Date. Aggregate requests for Firm Reverse Flow Capacity (reached a peak of 3.78 bNcm/y occurring from 2019 and for up to 5 years from Commercial Operation Date and aggregate requests for Interruptible Reverse Flow Capacity reached 1.1 bNcm/y from Commercial Operation Date and for 20 years.
- On the basis of the results of the Eol Phase and according to paragraph 3.5(b) of the Eol Guidelines, the Authorities hereby request ICGB AD to proceed with the Bidding Phase of the Market Test in accordance with these Bidding Phase Guidelines.

The National Regulatory Authorities of Bulgaria and Greece have jointly decided as follows:

## **Article 1**

### **Definitions**

Capitalised terms used herein and which are not defined in these Guidelines shall have the meaning given to them in the EoI Guidelines. The following definitions shall apply:

**Annual Fee (Ci)** shall mean the actual annual amount to be paid under a transportation agreement in respect to the contracted capacity, expressed in €/Year, calculated according to Article 6.

**ARCA Bond** or an equivalent Parent Company Guarantee shall mean a valid and enforceable bond to be provided on behalf of an Allocated Participant in connection with the execution of an ARCA, the form of which shall be included in the Bidding Phase Notice.

**Bid Bond** or an equivalent Parent Company Guarantee shall mean a valid and enforceable bond with a validity not less than 12 months from the date of Binding Offer Deadline, the form of which shall be attached to the Bidding Phase Notice, to be issued on behalf of a Bidding Phase Participant for submitting a valid and complete Binding Offer, the amount of which being equal to 4€ per Ncm/h/y capacity.

**Bidding Phase Notice** shall mean the notice to be submitted by ICGB AD to the Bidding Phase Participants and pursuant to Article 3.5 inviting them to submit a Binding Offer to be allocated with IGB capacity.

**Bidding Phase Participants** shall mean the EoI Participants that, having executed a Confidentiality Agreement, will participate in the Bidding Phase in accordance with Article 3.

**Binding Offer** shall mean the relevant set of documents duly signed by a Bidding Phase Participant and to be submitted for an allocation of IGB Capacity.

**Binding Offer Deadline** shall mean the date stated in the Bidding Phase Notice, on or before which the Bidding Phase Participants may submit a Binding Offer.

**Capital Remuneration** shall mean the constant yearly value for MPAC years that results in a present value equal to the present value of MPAC yearly instalments calculated by multiplying the foreseen yearly Net Invested Capital at the beginning of each year by the Return on Invested Capital.

**Confidentiality Agreement** shall mean the agreement to be signed by EoI Participants to be admitted to the Bidding Phase as a condition to acquire the status of Bidding Phase Participant.

**Depreciation** shall mean, for each Year, 1/MPAC of the Gross Invested Capital.

**Final Allocated Capacity** shall mean the capacity expressed in Ncm/h allocated to an Allocated Participant.

**Final Allocation Notice** shall mean the notification to be sent to each Allocated Participant pursuant to Article 3.11 of these Bidding Phase Guidelines.

**Final Investment Decision(s) (FID)** shall mean the irrevocable decision by the Sponsors to construct the IGB Pipeline.

**Fuel Gas** shall mean the gas used for operating the IGB Pipeline provided in kind by the Shippers using the IGB Pipeline calculated each day on a pro-rata basis.

**Gas Transportation Agreement (GTA)** shall mean the fully termed ship or pay agreement for transporting gas through the IGB Pipeline to be approved by the Authorities and to be executed by and between ICGB AD and Allocated Participants which have signed an ARCA and have provided the relevant ARCA Bond.

**Gross Invested Capital (GIC)** shall mean the total investment and development costs sustained for the full development and realisation of the IGB Pipeline capitalized at ROIC at the Commercial Operation Date, and at the Upgrade COD, net of any free grant contribution obtained for the construction of the IGB Pipeline.

**GTA Bond** shall mean the valid and enforceable bond to be provided by the Allocated Participant as required under the terms of the GTA.

**IGB Access Code** shall mean the technical conditions, administrative rules and commercial terms for the access to IGB Capacity, to be approved by the Authorities prior to the Commercial Operation Date.

**IGB Entry Point** shall mean the IGB Pipeline entry point in the vicinity of Komotini in Greece at the interconnection point with the DESFA system and/or with pipelines of other third parties.

**IGB Exit Point** shall mean the IGB Pipeline exit point in the vicinity of Stara Zagora in Bulgaria at the interconnection point with the BULGARTRANGAZ system and/or with pipelines of other third parties.

**Indicative Gross Tariff** shall mean the Indicative Net Tariff plus the Premium, expressed in €/Ncm/h/y.

**Indicative Net Tariff** shall mean the tariff calculated by ICGB AD, defined in the Bidding Phase Notice to be used only for the purpose of the Preliminary Allocation, expressed in €/Ncm/h/y.

**Inflation Index (Ii)** shall mean the index to be used to adjust the Indicative Net Tariff and the Net Tariff in order to reflect changes in the inflation indexes calculated on the basis of public data [Eurostat] to be indicated in the Bidding Phase Notice.

**Interconnection and Interoperability Agreement (IIA)** shall mean the agreement to interconnect the IGB Pipeline with the gas transportation systems of adjacent TSOs.

**LT IGB Capacity** shall mean the long term firm forward flow capacity of the IGB Pipeline allocated either as a result of the Market Test or the capacity granted for own use to the Sponsors as a result of the Exemption Application and any refinement indicated by ICGB AD following the conclusion of the Market Test.

**Maximum period of allocated capacities (MPAC)** shall mean the number of years for which LT IGB Capacities are allocated.

**Net Invested Capital (NIC)** shall mean, for each year, the sum of: (i) the GIC, net of Depreciation of the previous Years, and (ii) the Working Capital.

**Net Tariff** shall mean the transportation tariff expressed in €/(Ncm/h)/Y (Euro per Ncm/h per Year), calculated in accordance with the provisions of Article 6.

**OPEX** shall mean the average yearly value for MPAC years since the Commercial Operation Date of the foreseen level of operating and general costs; also including, but not limited to, any costs for providing balancing services and excluding Fuel Gas.

**Preliminary Allocation** shall mean the allocation of the capacity of the IGB Pipeline among the Bidding Phase Participants that have presented valid and complete Binding Offers pursuant to Article 7 of these Bidding Phase Guidelines, to be submitted to the Authorities.

**Premium** shall mean the annual fee expressed in €/Ncm/h/Y, offered at the discretion of a Bidding Phase Participant and indicated in its Binding Offer to be paid on top of the Net Tariff.

**Return on Invested Capital (ROIC)** shall mean the rate of return applicable in respect of the NIC, nominal and pre-tax, determined in the Bidding Phase Notice for the calculation of the Capital Remuneration.

**Shipper** shall mean any person having capacity rights in the IGB Pipeline and having executed a GTA with ICGB AD.

**Sponsor** shall mean the shareholders of ICGB AD.

**ST IGB Capacity** shall mean 10% of the firm forward flow of the IGB Minimum Capacity or IGB Maximum Capacity to be allocated on a time period basis shorter than, or equal to, one year in accordance with the IGB Access Code.

**TSO** means Transmission System Operator.

**Upgrade Commercial Operation Date (Upgrade COD or UCOD)** shall mean the commercial operation date of the upgrade of the IGB Pipeline capacity up to IGB Maximum Capacity.

**Upgrade Final Investment Decision (UFID)** means the irrevocable decision of the ICGB AD Shareholders to install a compressor station along the IGB Pipeline with the intention of expanding the capacity of the IGB Pipeline up to IGB Maximum Capacity.

**Year (Y)** shall mean a calendar period of 12 consecutive months starting on 1<sup>st</sup> January and ending on 31<sup>st</sup> December of each calendar year.

**Working Capital** shall mean, for tariff purposes, a fixed percentage of the GIC equal to [1.5%] plus the value of line pack gas. Such value will be determined at the Commercial Operation Date.

## **Article 2**

### **Subject matter and scope**

- 2.1 According to Paragraph 6 of Article 36 of the Directive, the Authorities decide upon the rules and mechanisms for management and allocation of capacity. The rules require a market test to be implemented.
- 2.2 The Market Test for the IGB Project is structured in two phases:
- (i) Expression of Interest (Eol) Phase; and
  - (ii) Bidding Phase.
- The Market Test is concluded upon the signature, by ICGB AD and Allocated Participants, of Advanced Capacity Reservation Agreements.
- 2.3 In the Eol Phase all potential users, including TSOs were invited to express their interest, according to the Eol Guidelines, in contracting capacity in, or in connecting to, the IGB Pipeline and were asked to submit data and information in order for the Authorities to assess the criteria set in Paragraph 6 of Article 36 of the Directive. The Eol Phase neither bound Eol Participants to book the capacity for which they expressed their interest in nor bound ICGB AD to offer it. However, participation in the Eol Phase was a prerequisite for subsequent participation in the Bidding Phase.
- 2.4 All participants in the Eol Phase are invited to submit binding requests for contracting long term capacity in the IGB Pipeline. ICGB AD will allocate capacity in the IGB Pipeline, in accordance with these Bidding Phase Guidelines and the Bidding Phase Notice. A party is considered to have participated in the Eol Phase if another party has expressed interest for the benefit of that party that it wishes to participate in the Bidding Phase, in accordance with the procedures set out in the Eol Notice.
- TSOs from Greece and Bulgaria can participate in the Bidding Phase irrespective of their participation to the Eol Phase, on the same terms and conditions applying to all other participants in the Bidding Phase (other than the requirement to have participated in the Eol Phase). TSOs participating are forbidden to use the capacity booked for gas supply.
- 2.5 The present document is supplemental to the Eol Guidelines and defines, in particular, how to perform the Bidding Phase. Articles 3 to 8 shall apply to Shipper Eol Participants, and Article 9 shall apply to TSO Eol Participants.
- 2.6 Within one month from the conclusion of the Market Test as specified in paragraph 2.2, ICGB AD shall notify to the Authorities their intent to proceed with their request for the exemption of the IGB Pipeline from the provisions of Articles 9, 32 and 41(6),(8) and (10) of the Directive. ICGB AD shall proceed with a review and refinement of their original Exemption Application within two months from their notification to the Authorities. The refined Exemption Application shall take into account the results of the Market Test.
- 2.7 Capacity allocation to the Allocated Participants, including any allocated to ICGB AD's direct or indirect Shareholders for their own use (if any), as well as contractual and physical congestion management rules (e.g. Allocated Participants' obligation to offer unused capacity to the market and/or ICGB AD obligation to offer new incremental capacity to the market) will be finalised upon the Authorities' decision on the refined Exemption Application as foreseen by Paragraphs 3, 6, 8 and 9 of Article 36 of the Directive.

## **Article 3**

### **Framework rules for the Bidding Phase**

- 3.1 The purpose of the present Guidelines and of the Bidding Phase Notice is to ensure that

the procedures for performing the Bidding Phase are open, non-discriminatory, transparent and in accordance with these Bidding Phase Guidelines.

- 3.2 The Bidding Phase of the Market Test will be conducted by ICGB AD who is responsible for the proper conduct of the measures set out in the present Guidelines and the Bidding Phase Notice.
- 3.3 ICGB AD shall treat all Participants in a non-discriminatory manner. The Sponsors of ICGB AD will participate in the Bidding Phase under the same terms and conditions applicable to other interested parties, as set out by the present Guidelines and the Bidding Phase Notice.
- 3.4 Within 10 Days of approval by the Authorities of the Bidding Phase Guidelines, ICGB AD will submit the Bidding Phase Guidelines and the Confidentiality Agreement to the EoI Participants that expressed an interest in contracting capacity in the IGB Pipeline. The Bidding Phase Guidelines will be made available at the same time on the respective websites of ICGB AD, SEWRC and RAE. Should the approval of these Bidding Phase Guidelines by the Authorities occur in different dates, the 10 Day period is computed from the Date of the last approval.

The Authorities will assess and jointly decide upon the Bidding Phase Notice within 7 Days of submission by ICGB AD. In particular, the Authorities will review the Bidding Phase Notice with the view of ensuring that the procedures for performing the Bidding Phase, as set out in the Bidding Phase Notice, are open, non-discriminatory, transparent and in accordance with the Bidding Phase Guidelines and EU and national legislation in the Host Countries.

- 3.5 Those EoI Participants that wish to participate in the Bidding Phase must return a signed copy of the Confidentiality Agreement to ICGB AD within 7 Days from the invitation to sign the Confidentiality Agreement. For the avoidance of doubt, and subject to Article 2.4, only EoI Participants submitting a valid and complete Confidentiality Agreement will become Bidding Phase Participants. ICGB AD will issue the Bidding Phase Participants with a copy of the Bidding Phase Notice within 5 Days from receipt of the signed Confidentiality Agreement. The terms of the Bidding Phase Notice and all documents annexed to it must be kept confidential by each Bidding Phase Participant in accordance with the terms of the Confidentiality Agreement.
- 3.6 The Bidding Phase Notice shall specify the date of the Binding Offer Deadline by which any EoI Participants that wish to submit a Binding Offer must do so. The Binding Offer Deadline shall be set at least 2 months after the submission of the Bidding Phase Notice.
- 3.7 Bidding Phase Participants must submit their Binding Offer to ICGB AD, with a copy to the Authorities.
- 3.8 Within [10] Days of the Binding Offer Deadline, ICGB AD shall confirm to each Bidding Phase Participant, with a copy to the Authorities, that:
  - a. no Binding Offer was received by ICGB AD from that Bidding Phase Participant; or
  - b. a valid Binding Offer was received by ICGB AD from that Bidding Phase Participant; or
  - c. an invalid Binding Offer was received by ICGB AD from that Bidding Phase Participant.
- 3.9 Where ICGB AD notifies a Bidding Phase Participant that its Binding Offer was, in whole or in part, invalid, it shall specify in the confirmation issued pursuant to Article 3.8(c) the reasons for such invalidity. Where a Bidding Phase Participant disputes the terms of the confirmation provided pursuant to Article 3.8, that Bidding Phase Participant may seek remediation under the terms of the appeal process set out in the Bidding Phase Notice.
- 3.10 No more than [21] days after the Binding Offer Deadline or if later, the date on which the last appeal is determined in accordance with the appeals process set out in the Bidding Phase Notice, ICGB AD, on the basis of Binding Offers received, shall submit to the Authorities for their opinion a report concerning:
  - a. the proposed Preliminary Allocation; and

- b. the commercial and/or technical implications, which ICGB AD may want to raise related to the outcome of the Preliminary Allocation.
- 3.11 Following receipt of the opinion of the Authorities, which shall be issued within [21] Days from the date of receipt by the Authorities from ICGB AD of the information described in Article 3.10, ICGB AD will determine the Final Allocated Capacities and submit the Final Allocation Notices to the Allocated Participants inviting them to sign an ARCA.
- 3.12 Allocated Participants shall deliver to ICGB AD an executed ARCA and valid and enforceable ARCA Bond within [7] Days from the Final Allocation Notice. A separate ARCA and ARCA Bond shall be provided in respect of each Product taken from the Commercial Operation Date and each Product taken from the Upgrade Commercial Operation Date. In case an Allocated Participant fails to execute the ARCA or to provide valid and enforceable ARCA Bond, ICGB AD will be entitled to enforce the Bid Bond and to invite other Bidding Phase Participants, in accordance with their ranking, to execute the relevant ARCA and ARCA Bond.
- 3.13 No more than one month after the execution by the Bidding Phase Participants of all relevant ARCAs, ICGB AD shall return all the Bid Bonds submitted during the Bidding Phase, other than any Bid Bonds subject to enforcement.
- 3.14 Within [10] Days of execution of all relevant ARCAs and ARCA Bonds, ICGB AD will submit a report to the Authorities to inform them of the results of the Bidding Phase and any necessary refinement of the Exemption Application in light of the completed Market Test.

#### **Article 4**

##### **Bidding Phase Notice**

- 4.1 The Bidding Phase Notice shall be sent to all relevant Bidding Phase Participants and shall be available in English.
- 4.2 The Bidding Phase Notice shall provide for the following:
  - a. the procedure and the deadlines to present the Binding Offers;
  - b. the criteria upon which an applicant may be excluded from the Bidding Phase, the procedure for notifying its exclusion and the appeals process;
  - c. the forms for presenting the Binding Offers and the method for their ranking;
  - d. a pro-forma of the Bid Bond and of the relevant Parent Company Guarantee;
  - e. a pro-forma of the ARCA;
  - f. a pro-forma of the ARCA Bond and of the relevant Parent Company Guarantee;
  - g. the ROIC;
  - h. the Inflation index to be used for the automatic yearly update of the tariff;
  - i. a non-binding estimate of the investment and operating costs, for different capacities to be built in the range of the IGB Minimum Capacity and the IGB Maximum Capacity;
  - j. the Indicative Net Tariff and tariff structure;
  - k. non binding estimates for Commercial Operation Date and Upgrade Commercial Operation Date;
  - l. a declaration that ICGB AD shall comply with the provisions of Regulation 715/2009, to the extent these are not in conflict with the provisions of the Authorities exemption decision (Exemption Decision) according to Article 36 of Directive 2009/73/EC, should IGB become exempted infrastructure; and
  - m. information on the connection of IGB with the Greek and Bulgarian natural gas systems as well as information on the connection of the IGB Pipeline with pipelines of other third parties, if available.

## Article 5

### Products on offer

5.1 During this Bidding Phase, ICGB AD shall offer the following products:

**Main Products:**

- (a) Firm Forward Flow Capacity (or **FFF Capacity** hereunder) from IGB Entry Point to IGB Exit Point with start up date at Commercial Operation Date.
- (b) FFF Capacity from IGB Entry Point to IGB Exit Point with start up date at Upgrade Commercial Operation Date.

**Additional Products subject to completed allocation of the Main Products:**

- (c) Interruptible Reverse Flow Capacity (or **IRF Capacity** hereunder) from IGB Exit Point to IGB Entry Point with start up date at Commercial Operation Date and at Upgrade Commercial Operation Date (subject to FFF Capacity at Commercial Operation Date and at Upgrade Commercial Operation Date having been allocated).
- (d) Firm Reverse Flow Capacity (or **FRF Capacity** hereunder) from IGB Exit Point to IGB Entry Point with start up date at Upgrade COD (subject to FFF Capacity at Upgrade COD having been allocated).

5.2 The amount of each type of product shall be offered accordance with the following:

- (a) FFF Capacity available at Commercial Operation Date is equal to IGB Minimum Capacity net of ST IGB Capacity.
- (b) FFF Capacity available at Upgrade Commercial Operation Date is equal to IGB Maximum Capacity net of ST IGB Capacity (including capacities offered according to 5.2(a)).
- (c) IRF capacity offered at Commercial Operation Date shall be equal to the IGB Minimum Capacity net of ST IGB Capacity. The process for allocating IRF capacity will start after ICGB AD has allocated the FFF. Final allocation will depend on the contracted FFF services under Article 5.2(a). Allocated IRF capacity will be offered on an interruptible basis according to the provisions the provisions of Regulation 715/2009, as long as they are not in conflict with the provisions of the Exemption Decision, should IGB become an exempted infrastructure.
- (d) IRF capacity offered at Upgrade Commercial Operation Date shall be equal to the IGB Maximum Capacity net of ST IGB Capacity, and any IRF capacity already allocated according to 5.2(c). The process for allocating IRF capacity will be started only after ICGB AD has allocated the FFF. Final allocation will depend on the contracted FFF services under Article 5.2(a, b). Allocated IRF capacity will be offered on an interruptible basis according to the provisions of Regulation 715/2009, as long as they are not in conflict with the provisions of the Exemption Decision, should IGB become exempted infrastructure.
- (e) FRF capacity available at Upgrade Commercial Operation Date shall be equal to the capacity that can be guaranteed, under acceptable conditions for safety and operational integrity, in Reverse Flow by the compression station designed for securing the overall contracted FFF Capacity at Upgrade Commercial Operation Date. Participants in the Bidding Phase of this Market Test may consider that a maximum of 2 billion cubic meters per annum FRF will be available at Upgrade COD under the above conditions. Further conditions and timescales for determining the potential availability of any additional FRF will be determined in the Exemption Decision.

5.3 Where requests are made for any product in excess of the IGB Maximum Capacity, ICGB AD will assess the viability of upgrades beyond IGB Maximum Capacity (**Additional Expansion Capacity**), as specified in paragraph 7.5 below.

5.4 Bidding Phase Participants may provide Binding Offers requesting the products above for a duration of 5, 10, 20 or 25 years since each relevant startup date.

## Article 6 Tariffs and Fees

6.1 The tariffs for the IGB Pipeline shall be transparent, non-discriminatory and shall include efficient costs. The tariffs should take into account the relevant different risk levels attached to ICGB AD investments in the IGB Minimum Capacity, the IGB Maximum Capacity and any IGB Additional Expansion Capacity, as the case may be.

6.2 The Shippers of the IGB Pipeline will pay an Annual Fee:

$$C_i = P * (T_{0XXF} * (\alpha * I_i + \beta) + Pr_0 * I_i)$$

Whereas

- $T_{0XXF}$  represents the Net tariff for the relevant product expressed in  $\text{€}/(\text{Ncm}/\text{h})/\text{Y}$ ;
- $Pr_0$  represents the Premium expressed in  $\text{€}/(\text{Ncm}/\text{h})/\text{Y}$ ;
- $P$  represents the Final Allocated Capacity expressed in  $\text{Ncm}/\text{h}$ ;
- $i$  represents the Years numbered progressively from 1 up to MPAC years starting from the Year in which the Commercial Operation Date falls;
- $\alpha$  is equal to the ratio  $(\text{Opex}) / (\text{Opex} + \text{Depreciation} + \text{Capital Remuneration})$  [calculated as average along MPAC] [relative to the first year];
- $\beta$  is equal to  $1 - \alpha$ ;
- $I_i$  is equal to the inflation index to be provided in the Bidding Phase Notice.

6.3 ICGB AD shall assign to each product on offer a Net Tariff which will be the same for every shipper allocated with the same product. The Net Tariffs shall be approved by the Authorities 2 months before the Commercial Operation Date unless specified otherwise in the Exemption Decision and revised 2 months before the Upgrade Commercial Operation Date unless specified otherwise in the Exemption Decision, in accordance with the tariff structure set out below and on the basis of the actual figures of the investment and operations costs of the IGB Pipeline as verified by the Authorities.

6.4 The Net Tariff for each product will be calculated starting from the Reference Revenues:

- (a) **The Reference Revenues:** the **Reference Revenues** shall be calculated as the sum of the present value at Commercial Operation Date discounted at ROIC of the sum of the annual values of Opex, Depreciation and Capital Remuneration for MPAC years.
- (b) **Net Tariff for Firm Forward Flow:** the **Net Tariff for FFF Capacity**,  $T_{0FFF}$  shall be calculated as (i) the Reference Revenues net of the sum of the present values at Commercial Operation Date of the annual revenues deriving from IRF and FRF, divided by (ii) the sum of the present values at Commercial Operation Date discounted at ROIC of the annual LT IGB Capacity for MPAC years.
- (c) **Net Tariff for Interruptible Reverse Flow:** the **Net Tariff for IRF Capacity**,  $T_{0IRF}$  is set at 15% of the Reference Revenues divided by the sum of the present values at Commercial Operation Date discounted at ROIC of the annual LT IGB Capacity for MPAC years.
- (d) **Net Tariff for Firm Reverse Flow:** the **Net tariff for FRF Capacity**,  $T_{0FRF}$  is set at 25% of the Reference Revenues divided by the sum of the present values at Commercial Operation Date discounted at ROIC of the annual LT IGB Capacity for MPAC years.

6.5 During the life of the contracts, ICGB AD and the Authorities are entitled to request a revision of the Net Tariffs in order to guarantee a fair return on its investment, based, inter alia, on the following:



- proven and documented increases or decreases in the level of Opex;
  - proven and documented increases or decreases in the level of revenues from contracted capacity (FFF, IRF, FRF), due to unforeseeable events (including, but not limited to, bankruptcy of clients or inability to upgrade the IGB capacity in a timely manner, or additional capacity being contracted as a result of a future market test;
  - in case of costs incurred in respect of, or investments made necessary by, the occurrence of an event or circumstance, or a combination of events and/or circumstances, or due to changes in laws and regulations, which affect the IGB Pipeline, which are unforeseeable and beyond the reasonable control of ICGB AD and could not be avoided by steps which might reasonably be expected to have been taken by ICGB AD.
- 6.6 Any revision in the Net Tariff and the tariff methodology shall be approved by the Authorities.

## Article 7

### Allocation Principles

- 7.1 ICGB AD will perform the Preliminary Allocation independently for each product offered in this Market Test taking into account the Premium offered and the duration requested by each Bidding Phase Participant as follows:
- (a) **FFF Capacity available at Commercial Operation Date** shall be allocated in accordance with the ranking of the present value of the Indicative Gross Tariff (calculated at the Binding Offer Deadline and discounted at ROIC) offered by each Bidding Phase Participant requesting the relevant product.
  - (b) **FFF Capacity available at Upgrade Commercial Operation Date** (on top of capacity allocated according to 7.1(a)) shall be allocated in accordance with the ranking of the present value of the Indicative Gross Tariff (calculated at the Binding Offer Deadline and discounted at ROIC) offered by: (i) Bidding Phase Participants requesting capacity starting from Upgrade Commercial Operation Date and (ii) Bidding Phase Participants requesting capacity at Commercial Operation Date but partially or totally not allocated according to 7.1(a) for the quantities not allocated at Commercial Operation Date provided that the Bidding Phase Participants have declared their availability of being allocated with FFF Capacity also at Upgrade Commercial Operation Date.
  - (c) Provided that FFF Capacity at COD has been allocated, **IRF Capacity available at Commercial Operation Date** shall be allocated in accordance with the ranking of the present value of the Indicative Gross Tariff (calculated at the [Binding Offer Deadline] and discounted at [ROIC]) offered by each Bidding Phase Participant requesting the relevant product.
  - (d) Provided that FFF Capacity at UCOD has been allocated, **IRF and FRF Capacity available at Upgrade Commercial Operation Date** shall be allocated in accordance with the ranking of the present value of the Indicative Gross Tariff (calculated at the [Binding Offer Deadline] and discounted at [ROIC]) offered by each Bidding Phase Participant requesting the relevant product. Bidding Phase Participants bidding for IRF capacity in accordance with Article 7.1(c) shall be entitled to indicate their availability to convert the IRF capacity eventually allocated to them into FRF capacity at Upgrade COD in case the FRF capacity available is not fully allocated to Shippers requesting such product.
- 7.2 If the marginal capacity request in the ranking cannot be satisfied at COD because there is not enough available FFF Capacity and the marginal Bidding Phase Participant has not declared his availability of being allocated with FFF Capacity also at Upgrade Commercial Operation Date, then this Bidding Phase Participant shall be offered the following options:
- (i) to reduce the amount of capacity specified in the request; or
  - (ii) to withdraw the request

7.3 If the marginal capacity request in the ranking cannot be satisfied at UCOD because there is not enough available FFF or FRF Capacity according to paragraphs 7.1.(b) to (d) above, the marginal Bidding Phase Participant should be offered at least the following options:

- (i) to reduce the amount of capacity specified in the request; or
- (ii) to withdraw the request.

Provisions as in points (i), (ii) also apply in the case there are two or more equally ranked capacity requests.

7.4 ICGB AD shall ensure that Bidding Phase Participants are provided with the option to indicate their interest in being assigned with FFF or FRF capacity following COD or UCOD, in the event that their request is not fulfilled, in part or in full, at COD or UCOD due lack of available capacity.

7.5 In the event that FFF or FRF capacity requests exceed the IGB Maximum Capacity at UCOD, ICGB AD shall perform a technical analysis and economic viability assessment of the necessary upgrade requirements, including an evaluation of the time schedule for their realisation.. The time schedule for the development of the methodology for both the technical analysis and the economic assessment and any additional specifications will be defined in the Exemption Decision.

## **Article 8**

### **ARCA and GTA**

8.1 For each product, the relevant ARCA regulates the terms and conditions for executing the Gas Transportation Agreement by and between ICGB AD and the Allocated Participant further to FID or UFID (depending on the date from which the relevant capacity is reserved). Any amendment in the ARCA and the ARCA Bond is subject to the approval of the Authorities.

8.2 The ARCA includes the commitment of:

- (a) ICGB AD to make available an amount of capacity in the IGB Pipeline, starting from the Commercial Operation Date or the Upgrade Commercial Operation Date (as the case may be), for the term and for the fee set out in the ARCA, and to provide a GTA in respect thereof for signing upon request by ICGB AD; and
- (b) the Allocated Participant to take up capacity from the Commercial Operation Date or the Upgrade Commercial Operation Date (as the case may be) and to enter into the GTA and provide the GTA Credit Support upon submission by ICGB AD of the above GTA as better specified in the ARCA .

The ARCA may be terminated in the event that no FID or UFID (as the case may be) is adopted by the ICGB AD Shareholders by a date to be specified in the ARCA.

The ARCA will be modified to comply with:

- (a) any Exemption Decision to be issued by the Authorities exempting IGB according to the provisions of article 36 of Directive 2009/73/EC, provided that such an exemption is granted; or
- (b) with all the provisions of Directive 2009/73/EC and Regulation 715/2009 in the case that ICGB AD states upon the completion of the bidding phase of the Market Test that they no longer wish to proceed with their Exemption Application or such an Exemption is not granted by the Authorities.

8.3 Each ARCA shall remain in full force and effect up to the date of execution of the corresponding GTA and shall contain as a minimum the following provisions:

- (a) an unconditional commitment from the Allocated Participant to execute the GTA when requested by ICGB AD and to provide the relevant GTA Bond or equivalent security at the same time;

- (b) a right in favour of ICGB AD to enforce an Allocated Participant's ARCA Bond in the event of that Allocated Participant's refusal or failure to sign the GTA or to provide the relevant GTA Bond or equivalent security;
  - (c) a right in favour of ICGB AD to terminate the ARCA at any time before FID or UFID (as the case may be); and
  - (d) specify the amount of the ARCA Bond.
- 8.4 The GTA will be proposed by ICGB AD to the Authorities for approval in advance of its execution. The GTA shall comply with the rules of the IGB Access Code that apply to the non-exempted IGB Capacity, and more specifically the rules relating to:
- (a) congestion management procedures;
  - (b) Use-It-Or-Lose-It arrangements;
  - (c) secondary capacity trading arrangements;
  - (d) balancing regimes;
  - (e) capacity overruns;
  - (f) nomination and renomination rules
  - (g) ship-or-pay commitments; and
  - (h) procedures for normal operations and for publication of data regarding the operation of the IGB Pipeline and the availability of capacity.
- 8.5 Following a positive FID or UFID (as the case may be) being adopted by the ICGB AD Shareholders, ICGB AD shall execute and date the Gas Transportation Agreement, and the Gas Transportation Agreement shall be binding on ICGB AD and the Allocated Participant from that date. The Gas Transportation Agreement includes the commitment of:
- (a) ICGB AD to make available an amount of capacity in the IGB Pipeline, starting from the Commercial Operation Date or the Upgrade Commercial Operation Date (as the case may be) on the terms to be set out in the Gas Transportation Agreement; and
  - (b) The Shipper to take up its capacity allocation, and (regardless of whether the Shipper actually takes up its capacity allocation) to pay for its capacity allocation, on the terms to be set out in the Gas Transportation Agreement.

## **Article 9**

### **Provisions for IIA execution**

- 9.1 Taking into account the results of the EoI Phase of the Market Test, the Authorities may request ICGB AD to initiate discussions and negotiations with the TSOs that have either:
- (a) directly participated in the Bidding Phase; or
  - (b) will be otherwise involved in the development of an interconnection point with IGB.

The latter may be indicatively, but not limited, due to a specific request from an Allocated Participant who reserved capacity at an interconnection point of the IGB Pipeline (being an IGB Entry Point or IGB Exit Point) to the pipeline of a third party.

The purpose of such discussions would be the finalisation of the relevant IIAs.

- 9.2 The IIA shall include the following general principles:
- (a) the technical and commercial base case of ICGB AD foresees a pipeline entry point in the vicinity of Komotini in Greece at the interconnection point with the DESFA system and a pipeline exit point in the vicinity of Stara Zagora in Bulgaria at the interconnection point with the BULGARTRANGAZ system. The cost for any additional interconnection points to pipelines of third parties shall be borne by the Allocated Participants requesting the interconnection;

- (b) the technical solution for interconnection shall meet all applicable requirements for safe gas transportation into the Greek and Bulgarian systems; and
- (c) all interconnection points shall be designed so as to allow for firm bi-directional flows if such a demand arises.

The IIAs shall facilitate commercial and operational co-operation between IGB and the interconnecting TSO and shall be drawn in agreement with the provisions of the Network Code on Interoperability and Data Exchange as long as these are not in conflict with the provisions of the Authorities Exemption Decision according to Article 36 of Directive 2009/73/EC, should IGB become exempted infrastructure.

- 9.3 ICGB AD shall report regularly to the Authorities on the progress of the negotiations of all IIAs including the ones to be concluded with DESFA and BULGARTRANGAZ. IIAs will be communicated to the Authorities upon their conclusion and amendment, or at the Authorities' request.